

Western Digital (WDC)

Price:	\$42.09
Market Cap:	\$10,253,124,000
Cash:	\$3,537,000,000
Debt:	\$2,230,000,000
Net Cash:	\$1,307,000,000
Enterprise Value:	\$8,946,124,000
Target Market Cap:	\$16,261,731,624
Target Enterprise Value:	\$14,954,731,624

Price/Book:	1.26
EV/FCF:	-8.13
Net Tang. Asset/Share:	\$26.13
Avg. Year 1-5 FCF/Share:	\$3.48
5 Years of FCF:	\$17.38
Net Tang. Asset+5 FCF:	\$43.51

Net Tang. Asset Yr. 5/Share:	\$38.96
Avg. Year FCF/Share:	\$3.48
Year 5 Disposition FCF Multipl:	3.0
Year 5 Disposition Price:	\$49.38
Gain Year 5:	\$23.25

Net Tang. Asset+5 FCF+ Gain Disposition:	\$66.76
IRR:	9.66%

Revenue jumped 30% YoY in 2012 due to the acquisition of the JV based in Japan, founded by IBM/Hitachi, which specializes in enterprise storage devices. Whereas WDC historically established a presence for personal desktop storage, the HGST acquisition complements the existing product platform and expands the WDC brand presence into the enterprise space. We are bullish on the business model as storage devices for personal data will need to expand with ever larger media files occupying hundreds of GBs worth of data. Also, more data will need to be stored with enterprises communicating with clients via data heavy media platforms.

The short is a shift from hardware based data storage to cloud computing. The acquisition partially negates the short idea since the migratory revenue would be captured by the HGST business. Granted, a large bulk of the revenue is realized through the personal space, but we don't foresee cloud computing to capture a dominant share of the market within the next 5 years. However, we do see some concerns 5-10 years down the line, when disposition price is considered as the rate of adoption for cloud computing accelerates. Therefore, we have slashed our growth forecasts as well as increase the COGS, to factor in the risk of business lost to cloud. The business is composed of 1) enterprise, 2) harddrive for computers, 3) harddrive for consumer electronics, 4) branded, external harddrive storage.

I love the fact SG&A is only 3% of revenue. Management has done a great job of maintaining costs, allowing the cash to hit the bottom line at 10% FCF yield (FCF/EV).

SN VALUATION

LBO Analysis

WACC Terminal Value:	N/A	Intrinsic Price in 5 Years:	43.92	Non-LBO Forecast		Non-LBO Forecast	
EV/EBITDA with 3X Multiple Terminal Value:	\$35.37	Market Price:	42.09	Year 1 Target	42.45	Desired Return Rate	20.00%
Net Tangible Asset Terminal Value:	\$38.65	LBO Price:	42.09	Year 2 Target	42.81	Implied Today's Price	17.65
EV/EBITDA with Today's Multiple Terminal Value:	\$44.42	Premium to Market Price:	0.00%	Year 3 Target	43.18	Overvalued/(Undervalued)	138.48%
EVA Enterprise Value:	\$57.23	LBO Price/Intrinsic Price Target:	0.85%	Year 4 Target	43.55		
Dividend Discount Model:	N/A	LBO Price/EV/EBIT Exit Price:	-2.75%	Year 5 Target	43.92		
Average (Excluding Dividend Discount):	\$43.92	Implied IRR at today's EV/EBITDA:	1.08%	Implied IRR (Market Price):	0.85%		
		5 Year Return:	4.34%				

Current Evaluation				Exit Evaluation			
Current Market Price:	42.09	LBO Price:	42.09	Exit Price:	43.92	Exit Price:	44.42
Outstanding Shares:	243,600,000	Outstanding Shares:	243,600,000	Outstanding Shares:	243,600,000	Outstanding Shares:	243,600,000
Market Capitalization:	10,253,124,000	Market Capitalization:	10,253,124,000	Market Capitalization:	10,698,242,465	Market Capitalization:	10,820,354,035
Available Cash:	3,537,000,000	Available Cash:	3,537,000,000	Available Cash:	6,439,665,930	Available Cash:	6,439,665,930
Debt:	2,230,000,000	Debt:	2,230,000,000	Debt:	1,130,000,000	Debt:	1,130,000,000
Net Cash:	1,307,000,000	Net Cash:	1,307,000,000	Net Cash:	5,309,665,930	Net Cash:	5,309,665,930
Enterprise Value:	8,946,124,000	Enterprise Value:	8,946,124,000	Enterprise Value:	5,388,576,534	Enterprise Value:	5,510,688,105
Original EV/EBITDA:	5.05	EV/EBITDA:	5.05	EV/EBITDA at 5 Years:	4.89	EV/EBITDA at 5 Years:	5.00
Original EV/EBITDA:	3.45	EV/EBITDA:	3.45	EV/EBITDA at 5 Years:	3.33	EV/EBITDA at 5 Years:	2.74
Competitor Average EV/EBIT:	N/A						
Competitor Average EV/EBITDA:	N/A						

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	42.09	42.09	42.45	42.81	43.18	43.55	43.92
Shares Outstanding:	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000
Market Capitalization:	10,253,124,000	10,253,124,000	10,340,640,863	10,428,904,738	10,517,922,000	10,607,699,080	10,698,242,465
Available Cash:	3,537,000,000	3,537,000,000	3,969,435,120	4,278,186,902	4,633,856,680	5,520,807,814	6,439,665,930
Debt:	2,230,000,000	2,230,000,000	2,130,000,000	1,630,000,000	1,130,000,000	1,130,000,000	1,130,000,000
Net Cash:	1,307,000,000	1,307,000,000	1,839,435,120	2,648,186,902	3,503,856,680	4,390,807,814	5,309,665,930
Enterprise Value:	8,946,124,000	8,946,124,000	8,501,205,743	7,780,717,835	7,014,065,319	6,216,891,266	5,388,576,534
EBIT	1,771,000,000	1,771,000,000	1,018,204,800	1,038,568,896	5	1,080,527,079	1,102,137,621
EV/EBIT:	5.05	5.05	8.35	7.49	1,402,813,063.85	5.75	4.89
EBITDA	2,596,000,000	2,596,000,000	1,859,704,800	1,896,898,896	1,934,836,874	1,973,533,611	2,013,004,284
EV/EBITDA:	3.45	3.45	4.57	4.10	3.63	3.15	2.68

Enterprise Valuation Calculation During Holding Period							
Time Period	0	Adjusted for LBO	1	2	3	4	5
Annualized Price Targets based off LBO Price:	42.09	42.09	28.67	32.41	14.38	40.43	44.65
Shares Outstanding:	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000	243,600,000
Market Capitalization:	10,253,124,000	10,253,124,000	6,982,849,235	7,894,469,300	3,503,856,706	9,849,040,021	10,877,062,781
Available Cash:	3,537,000,000	3,537,000,000	3,969,435,120	4,278,186,902	4,633,856,680	5,520,807,814	6,439,665,930
Debt:	2,230,000,000	2,230,000,000	2,130,000,000	1,630,000,000	1,130,000,000	1,130,000,000	1,130,000,000
Net Cash:	1,307,000,000	1,307,000,000	1,839,435,120	2,648,186,902	3,503,856,680	4,390,807,814	5,309,665,930
Enterprise Value:	8,946,124,000	8,946,124,000	5,143,414,115	5,246,282,398	25	5,458,232,206	5,567,396,851
EBIT	1,771,000,000	1,771,000,000	1,018,204,800	1,038,568,896	5	1,080,527,079	1,102,137,621
EV/EBIT:	5.05	5.05	5.05	5.05	5.05	5.05	5.05
EBITDA	2,596,000,000	2,596,000,000	1,859,704,800	1,896,898,896	1,934,836,874	1,973,533,611	2,013,004,284
EV/EBITDA:	3.45	3.45	2.77	2.77	0.00	2.77	2.77

LBO Price	42.09	Equity Partners:	12,438,124,000	Weighting	100.00%	Annualized Return for Equity Partners: -2.75%
Shares Outstanding	243,600,000	Debt Partners:	0		0.00%	
Market Capitalization	10,253,124,000	Total Funds for LBO:	12,438,124,000		100.00%	
Debt	2,185,000,000					
Cash	3,537,000,000					
Enterprise Value	8,901,124,000					
Capital Investment	12,438,124,000					

Book Value	Enterprise Value	Stock Valuation	Debt Reduction
Beginning Book Value	8,128.00	Current Market Price	Starting Debt
Year 5 Book Value	11,481.47	Year 5 Market Price	Debt Repayment
Annualized Return	7.15%	Annualized Return	1.08%
			Year 5 Ending Debt
			% of Starting Debt
			45.00%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Western Digital

Ticker:

WDC

	Historical				Forecasted				
	52 weeks ending 2009-07-03	52 weeks ending 2010-07-02	52 weeks ending 2011-07-01	52 weeks ending 2012-06-29	2013	2014	2015	2016	2017
Revenue	7,453.00	9,850.00	9,526.00	12,478.00	12,727.56	12,982.11	13,241.75	13,506.59	13,776.72
COGS	6,116.00	7,449.00	7,735.00	8,840.00	10,182.05	10,385.69	10,593.40	10,805.27	11,021.38
Gross margin	1,337.00	2,401.00	1,791.00	3,638.00	2,545.51	2,596.42	2,648.35	2,701.32	2,755.34
SG&A	201.00	238.00	255.00	457.00	509.10	519.28	529.67	540.26	551.07
R&D	509.00	611.00	703.00	1,055.00	1,018.20	1,038.57	1,059.34	1,080.53	1,102.14
Unusual expense	108.00	27.00	42.00	355.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Included within COGS					0.00	0.00	0.00	0.00	0.00
Operating Income (EBITA)	519.00	1,525.00	781.00	1,771.00	1,018.20	1,038.57	1,059.34	1,080.53	1,102.14
Interest income/(expense)	-18.00	-5.00	-1.00	-14.00	-62.92	-37.92	-12.92	-12.92	-12.92
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	501.00	1,520.00	780.00	1,757.00	955.28	1,000.65	1,046.42	1,067.61	1,089.22
Tax	31.00	138.00	54.00	145.00	334.35	350.23	366.25	373.66	381.23
Income after tax	470.00	1,382.00	726.00	1,612.00	620.94	650.42	680.17	693.94	707.99
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	470.00	1,382.00	726.00	1,612.00	620.94	650.42	680.17	693.94	707.99
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.93	\$5.67	\$2.98	\$6.62	\$2.55	\$2.67	\$2.79	\$2.85	\$2.91
P/E (historical today's price; forecasted intrinsic price)	21.82	7.42	14.12	6.36	16.65	16.03	15.46	15.29	15.11
Revenue Growth	N/A	32.16%	-3.29%	30.99%	2.00%	2.00%	2.00%	2.00%	2.00%
Tax Rate	6.19%	9.08%	6.92%	8.25%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	-3.73%	-1.25%	-0.34%	-0.64%	-3.15%	-2.00%	-0.92%	-1.44%	-1.44%
Margins									
COGS	82.06%	75.62%	81.20%	70.84%	80.00%	80.00%	80.00%	80.00%	80.00%
Gross margin	17.94%	24.38%	18.80%	29.16%	20.00%	20.00%	20.00%	20.00%	20.00%
SG&A	2.70%	2.42%	2.78%	3.66%	4.00%	4.00%	4.00%	4.00%	4.00%
R&D	6.83%	6.20%	7.38%	8.45%	8.00%	8.00%	8.00%	8.00%	8.00%
Unusual expense	1.45%	0.27%	0.44%	2.85%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Included within COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating Income (EBITA)	6.96%	15.48%	8.20%	14.19%	8.00%	8.00%	8.00%	8.00%	8.00%
Interest income/(expense)	-0.24%	-0.05%	-0.01%	-0.11%	-0.49%	-0.29%	-0.10%	-0.10%	-0.09%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.72%	15.43%	8.19%	14.08%	7.51%	7.71%	7.90%	7.90%	7.91%
Tax	0.42%	1.40%	0.57%	1.16%	2.63%	2.70%	2.77%	2.77%	2.77%
Income after tax	6.31%	14.03%	7.62%	12.92%	4.88%	5.11%	5.34%	5.45%	5.56%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	6.31%	14.03%	7.62%	12.92%	4.88%	5.01%	5.14%	5.14%	5.14%

	As of 2009-07-03	As of 2010-07-02	As of 2011-07-01	As of 2012-06-29	As of 2012-09-28	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	1,794.00	2,734.00	3,490.00	3,208.00	3,537.00			3,537.00	3,969.44	4,278.19	4,633.86	5,520.81	6,439.67
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	1,794.00	2,734.00	3,490.00	3,208.00	3,537.00			3,537.00	3,969.44	4,278.19	4,633.86	5,520.81	6,439.67
Accounts Receivable	926.00	1,256.00	1,206.00	2,364.00	1,951.00			1,951.00	1,951.00	1,951.00	1,951.00	1,951.00	1,951.00
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Receivables	926.00	1,256.00	1,206.00	2,364.00	1,951.00			1,951.00	1,951.00	1,951.00	1,951.00	1,951.00	1,951.00
Total Inventory	376.00	560.00	577.00	1,210.00	1,304.00			1,304.00	1,304.00	1,304.00	1,304.00	1,304.00	1,304.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	134.00	170.00	214.00	359.00	394.00			394.00	394.00	394.00	394.00	394.00	394.00
Current Assets	3,230.00	4,720.00	5,487.00	7,141.00	7,186.00	0.00	0.00	7,186.00	7,618.44	7,927.19	8,282.86	9,169.81	10,088.67
PP&E, Gross	3,175.00	4,223.00	4,837.00	7,000.00	7,000.00			7,000.00	7,700.00	8,400.00	9,100.00	9,800.00	10,500.00
Change in Depreciation		510.00	602.00	825.00	825.00			825.00	841.50	858.33	875.50	893.01	910.87
Accumulated Depreciation	1,591.00	2,064.00	2,613.00	2,700.00	2,700.00			2,700.00	3,541.50	4,399.83	5,275.33	6,168.33	7,079.20
PP&E, Net	1,584.00	2,159.00	2,224.00	4,300.00	4,300.00			4,300.00	4,158.50	4,000.17	3,824.67	3,631.67	3,420.80
Goodwill	139.00	146.00	151.00	1,975.00	1,944.00	0.00		1,944.00	1,944.00	1,944.00	1,944.00	1,944.00	1,944.00
Intangibles	89.00	88.00	71.00	799.00	746.00			746.00	746.00	746.00	746.00	746.00	746.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	249.00	215.00	185.00	224.00	269.00			269.00	269.00	269.00	269.00	269.00	269.00
Long Term Assets	2,061.00	2,608.00	2,631.00	7,298.00	7,259.00	0.00	0.00	7,259.00	6,959.17	6,783.67	6,590.67	6,379.80	6,379.80
Total Assets	5,291.00	7,328.00	8,118.00	14,439.00	14,445.00	0.00	0.00	14,445.00	14,735.94	14,886.36	15,066.53	15,760.47	16,468.47
Accounts Payable	1,101.00	1,507.00	1,545.00	2,773.00	2,773.00			2,773.00	2,773.00	2,773.00	2,773.00	2,773.00	2,773.00
Accrued Expense	342.00	410.00	481.00	1,029.00	1,029.00			1,029.00	1,029.00	1,029.00	1,029.00	1,029.00	1,029.00
Other current Liabilities	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities	1,443.00	1,917.00	2,026.00	3,802.00	3,802.00	0.00	0.00	3,802.00	3,802.00	3,802.00	3,802.00	3,802.00	3,802.00
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	82.00	106.00	144.00	230.00	230.00			230.00	230.00	230.00	230.00	230.00	230.00
Long term Debt	399.00	294.00	150.00	1,955.00	2,000.00	0.00	0.00	2,000.00	1,900.00	1,400.00	900.00	900.00	900.00
Capital Lease Obligations	1.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	482.00	400.00	294.00	2,185.00	2,230.00	0.00	0.00	2,230.00	2,130.00	1,630.00	1,130.00	1,130.00	1,130.00
Deferred Income tax	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	174.00	302.00	310.00	550.00	103.00			103.00	103.00	103.00	103.00	103.00	103.00
Total Liabilities	2,099.00	2,619.00	2,630.00	6,537.00	6,135.00	0.00	0.00	6,135.00	6,035.00	5,535.00	5,035.00	5,035.00	5,035.00
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	2.00	2.00	2.00	3.00	3.00		0.00	3.00	3.00	3.00	3.00	3.00	3.00
Additional Paid-in capital	896.00	1,022.00	1,091.00	2,223.00	2,224.00	0.00	0.00	2,224.00	2,224.00	2,224.00	2,224.00	2,224.00	2,224.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	2,292.00	3,674.00	4,400.00	6,012.00	6,470.00		0.00	6,470.00	7,090.94	7,741.36	8,421.53	9,115.47	9,823.47
Treasury Stock	0.00	0.00	0.00	-554.00	-554.00			-554.00	-554.00	-554.00	-554.00	-554.00	-554.00
Other Equity	2.00	11.00	-5.00	-15.00	-15.00		0.00	-15.00	-15.00	-15.00	-15.00	-15.00	-15.00
Total Equity	3,192.00	4,709.00	5,488.00	7,669.00	8,128.00	0.00	0.00	8,128.00	8,748.94	9,399.36	10,079.53	10,773.47	11,481.47
Liability + Equity	5,291.00	7,328.00	8,118.00	14,206.00	14,263.00	0.00	0.00	14,263.00	14,783.94	14,934.36	15,114.53	15,808.47	16,516.47
Variance	0.00	0.00	0.00	233.00	182.00			182.00	-48.00	-48.00	-48.00	-48.00	-48.00
Debt/Equity	0.15	0.08	0.05	0.28	0.27			0.27	0.24	0.17	0.11	0.10	0.10
Inventory Turnover	19.82	17.59	16.51	10.31	9.76			9.57	9.76	9.96	10.15	10.36	10.56
Inventory Turnover Days	18.41	20.75	22.11	35.39	37.40			38.14	37.40	36.66	35.94	35.24	34.55
Days Inventory Outstanding	22.44	27.44	27.23	49.96	46.75			53.84	46.75	45.83	44.93	44.05	43.19
Accounts Receivable Turnover	8.05	7.84	7.90	5.28	6.52			6.40	6.52	6.65	6.79	6.92	7.06
Accounts Receivable Turnover Days	45.35	46.54	46.21	69.15	55.95			57.07	55.95	54.85	53.78	52.72	51.69
Days Payable Outstanding	65.71	73.84	72.91	114.50	99.40			114.50	99.40	97.46	95.54	93.67	91.83
Days Sales Outstanding	45.35	46.54	46.21	69.15	55.95			69.15	57.07	55.95	54.85	53.78	52.72
Cash Conversion Cycle	2.08	0.14	0.53	4.61	3.29			8.50	4.41	4.32	4.24	4.16	4.07
Net tangible assets/share	\$12.53	\$18.73	\$21.91	\$24.33	\$26.13				\$27.74	\$30.41	\$33.20	\$36.05	\$38.96

SN VALUATION

LBO Adjusted Proforma Cash Flow

	52 weeks ending 2009-07-03	52 weeks ending 2010-07-02	52 weeks ending 2011-07-01	52 weeks ending 2012-06-29	2011	2012	2013	2014	2015
Net Income	470.00	1,382.00	726.00	1,612.00	620.94	650.42	680.17	693.94	707.99
Depreciation	479.00	510.00	602.00	825.00	841.50	858.33	875.50	893.01	910.87
Net Income + Depreciation	949.00	1,892.00	1,328.00	2,437.00	1,462.44	1,508.75	1,555.67	1,586.95	1,618.86
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	24.00	27.00	20.00	34.00	0.00	0.00	0.00	0.00	0.00
Non Cash Items	134.00	60.00	69.00	272.00	0.00	0.00	0.00	0.00	0.00
Change in Working capital	198.00	-37.00	236.00	324.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-330.00	50.00	-1,158.00	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	-184.00	-17.00	-633.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	406.00	38.00	1,228.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	1,305.00	1,942.00	1,655.00	3,067.00	1,462.44	1,508.75	1,555.67	1,586.95	1,618.86
Capital Expenditures Expenditures	-519.00	-737.00	-778.00	-717.00	-700.00	-700.00	-700.00	-700.00	-700.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-32.00	-249.00	-15.00	-3,450.00	0.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-551.00	-986.00	-793.00	-4,167.00	-700.00	-700.00	-700.00	-700.00	-700.00
Financing Cash flow items	-29.00	-13.00	-8.00	67.00	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-8.00	79.00	8.00	-530.00	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	-230.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-27.00	-82.00	-106.00	1,282.00	-100.00	-500.00	-500.00	0.00	0.00
Cash from Financing Activities	-64.00	-16.00	-106.00	819.00	-330.00	-500.00	-500.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	-1.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	1,104.00	1,794.00	2,734.00	3,490.00	3,537.00	3,969.44	4,278.19	4,633.86	5,520.81
Net Change in Cash	690.00	940.00	756.00	-282.00	432.44	308.75	355.67	886.95	918.86
Ending Cash Balance	1,794.00	2,734.00	3,490.00	3,208.00	3,969.44	4,278.19	4,633.86	5,520.81	6,439.67
Capex to Revenue	6.96%	7.48%	8.17%	5.75%	5.50%	5.39%	5.29%	5.18%	5.08%
Depreciation to Sales	6.43%	5.18%	6.32%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	12.42%	12.75%	12.66%	18.95%	18.57%	18.21%	17.85%	17.50%	17.16%
Distributable FCF Yield	8.43%	10.69%	9.64%	-12.30%	8.52%	9.04%	9.56%	9.91%	10.27%
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing-Dividends)	754.00	956.00	862.00	-1,100.00	762.44	808.75	855.67	886.95	918.86

SN VALUATION

LBO Debt Schedule

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	-282.00	432.44	308.75	355.67	886.95	918.86
Current Portion Debt Repayment		230.00				
Long Term Debt Repayment		100.00	500.00	500.00		
Outstanding Debt	2230.00	1900.00	1400.00	900.00	900.00	900.00
Current Portion Debt Balance	230.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	2000.00	1900.00	1400.00	900.00	900.00	900.00
Forward Libor Curve		1.00%	1.00%	1.00%	1.00%	1.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		5.00%	5.00%	5.00%	5.00%	5.00%
Interest Expense		95.00	70.00	45.00	45.00	45.00
Cash Balance		3208.00				
Interest @ 1.0%		32.08	32.08	32.08	32.08	32.08
Net Interest Expense/(Income)		62.92	37.92	12.92	12.92	12.92
Net Interest Rate		3.15%	2.00%	0.92%	1.44%	1.44%
EBITDA		1018.20	1038.57	1059.34	1080.53	1102.14
EBITDA/Interest Expense Coverage		10.72	14.84	23.54	24.01	24.49

Interest Rate Coverage Table

Debt Rating					
AAA		AAA	AAA	AAA	AAA
AA	AA				
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Western Digital

Ticker:

WDC

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	1,787.00	2,803.00	3,461.00	3,384.00	3,816.44	4,125.19	4,480.86	5,367.81	6,286.67
Total Assets	5,291.00	7,328.00	8,118.00	14,445.00	14,735.94	14,886.36	15,066.53	15,760.47	16,468.47
X1	0.34	0.38	0.43	0.23	0.26	0.28	0.30	0.34	0.38
Retained Earnings	2,292.00	3,674.00	4,400.00	6,470.00	7,090.94	7,741.36	8,421.53	9,115.47	9,823.47
Total Assets	5,291.00	7,328.00	8,118.00	14,445.00	14,735.94	14,886.36	15,066.53	15,760.47	16,468.47
X2	0.43	0.50	0.54	0.45	0.48	0.52	0.56	0.58	0.60
EBITDA	519.00	1,525.00	781.00	1,771.00	1,018.20	1,038.57	1,059.34	1,080.53	1,102.14
Total Assets	5,291.00	7,328.00	8,118.00	14,445.00	14,735.94	14,886.36	15,066.53	15,760.47	16,468.47
X3	0.10	0.21	0.10	0.12	0.07	0.07	0.07	0.07	0.07
Market Value of Equity	10,253.12	10,253.12	10,253.12	10,253.12	10,340.64	10,428.90	10,517.92	10,607.70	10,698.24
Total Liabilities	2,099.00	2,619.00	2,630.00	6,135.00	6,035.00	5,535.00	5,035.00	5,035.00	5,035.00
X4	4.88	3.91	3.90	1.67	1.71	1.88	2.09	2.11	2.12
Net Sales	7,453.00	9,850.00	9,526.00	12,478.00	12,727.56	12,982.11	13,241.75	13,506.59	13,776.72
Total Assets	5,291.00	7,328.00	8,118.00	14,445.00	14,735.94	14,886.36	15,066.53	15,760.47	16,468.47
X5	1.41	1.34	1.17	0.86	0.86	0.87	0.88	0.86	0.84
Altman Z Score	5.67	5.54	5.10	3.18	3.10	3.29	3.50	3.57	3.63

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red